

Message Text

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LIMDIS

TREASURY FOR SECRETARY BLUMENTHAL ONLY

ARA FOR ASSISTANT SECRETARY VAKY ONLY

E.O. 11652: GDS
TAGS: PFOR, ETRD, SNAR, EFIN, UR
SUBJ: MEMORANDUM OF CONVERSATION: SECRETARY BLUMENTHAL'S
TALK WITH PRESIDENT JULIO CESAR TURBAY AYALA OF
COLOMBIA

1. FOLLOWING IS AN UNCLEAR MEMORANDUM OF CONVERSATION
BETWEEN PRESIDENT JULIO CESAR TURBAY AYALA OF COLOMBIA AND
SECRETARY OF TREASURY, MICHAEL BLUMENTHAL, ON AUGUST 6TH IN
THE FORMER'S HOME ON THE EVE OF HIS INAUGURATION. OTHER
PARTICIPANTS INCLUDED ASSISTANT SECRETARY VAKY, AMBASSADOR
ASENCIO, EXECUTIVE ASSISTANT RICHARD FISHER WAS ALSO PRESENT
AND AN INTERPRETER WAS USED.

2. COFFEE: AFTER THE USUAL PLEASANTRIES AND THE PRESENTATION
OF A LETTER FROM PRESIDENT CARTER, PRESIDENT TURBAY STATED THAT
HE WAS CONCERNED ABOUT COFFEE, A COMMODITY
WHICH HAD SOCIAL AS WELL AS ECONOMIC CONSEQUENCES. MOST
COLOMBIAN COFFEE PRODUCERS WERE MINIFUNDISTS. ANY BREAK IN COFFEE
PRICES WOULD AFFECT THE SOCIAL LIFE OF THE COUNTRY AND
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CONSEQUENTLY THE POLITICAL SITUATION. IT WAS A
STIMULANT TO DISSIDENT MOVEMENTS. IT WAS NECESSARY TO SEEK
AN AGREEMENT ON QUOTAS AND OTHER MECHANISMS OF CONTROL
AS WELL AS PRICE LEVELS. HE SUGGESTED A DIALOGUE BETWEEN THE
UNITED STATES GOVERNMENT AND COFFEE PRODUCERS BEFORE THE
LONDON CONFERENCE IN ORDER TO ARRIVE AT WELL DEFINED CRITERIA.
THE COFFEE PROBLEM WAS A TRAUMATIC ONE NOT ONLY IN COLOMBIA

BUT IN 15 OTHER LATIN AMERICAN COUNTRIES. THERE WAS NO PROBLEM WHICH WAS OF GREATER CONCERN TO COFFEE PRODUCERS. SECRETARY BLUMENTHAL AGREED THAT THE PROBLEM WAS TIMELY. HOWEVER, THE SAME WORDS COULD HAVE BEEN USED 16 YEARS AGO WHEN HE WAS WORKING ON THE PROBLEM. THE PROBLEM TODAY WAS NOT YET GRAVE BUT IT COULD BECOME BAD. HE ASSURED PRESIDENT TURBAY THAT HE WOULD FIND THE UNITED STATES SYMPATHETIC IN TRYING TO BE HELPFUL JUST AS IT HAD BEEN 16 YEARS AGO. HE WELCOMED THE OPPORTUNITY FOR A DIALOGUE BEFORE THE LONDON MEETING. IT WAS NOT A PROBLEM EASY TO SOLVE IN THE SHORT RUN BECAUSE THE PRICES HAD BEEN VERY HIGH SO RECENTLY. MEMBERS OF CONGRESS CONCERNED ABOUT INFLATION WOULD REMEMBER THE PRICE HAD REACHED \$4.00 JUST A FEW MONTHS AGO. TIME WOULD BE NEEDED TO CONVINCE CONGRESS THAT SOMETHING WOULD HAVE TO BE DONE. HE DOUBTED WHETHER IT WOULD BE POSSIBLE TO RATIFY THE COFFEE CONVENTION IN THIS SESSION OF CONGRESS. THE SECOND PROBLEM WAS THE PRICE LEVEL. WITH THE TRIGGER PRICE AT ABOUT 77 CENTS AND CURRENT PRICE AT \$1.20 A DECISION WOULD HAVE TO BE TAKEN ON THE APPROPRIATE PRICE LEVEL AT WHICH INTERVENTION SHOULD OCCUR. IT WAS HIS THOUGHT THAT IT WOULD BE NECESSARY TO SEE LOWER PRICES BEFORE WE COULD CONVINCE CONGRESS THAT SOMETHING SHOULD BE DONE.

3. PRESIDENT TURBAY RESPONDED THAT BY THE TIME CONGRESS WAS CONVINCED, IT WAS POSSIBLE THAT SEVERAL CRISIS PHENOMENA WILL APPEAR IN LATIN AMERICA. IT WOULD BE A GOOD CONFIDENTIAL

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IDEA TO DO THIS BEFORE SUCH A SITUATION. AN APPROPRIATE CLIMATE OF OPINION WOULD BE TO BE PREPARED. THEY WOULD ASSIST. IT WAS BETTER TO PREVENT RATHER THAN REPAIR. SECRETARY BLUMENTHAL AGREED AND SAID THAT PREVENTION WAS BETTER BUT WAS ALSO HARDER. HE POINTED OUT THAT HE HAD ACCOMPANIED PRESIDENT CARTER TO THE BONN SUMMIT CONFERENCE WITH SIX OTHER INDUSTRIALIZED NATIONS. THERE HAD BEEN UNANIMOUS AGREEMENT THAT MORE MUST BE DONE TO HELP THE ECONOMIC DEVELOPMENT OF THE DEVELOPING NATIONS. WE ARE IN FAVOR OF COMMODITY AGREEMENTS AND OF BUFFER STOCK ARRANGEMENTS WHEREVER PRACTICAL. COFFEE CLEARLY WAS AN EXAMPLE OF A COMMODITY WHERE AN AGREEMENT MUST BE ACHIEVED SOON. THE PRESIDENT COULD BE SURE OF THE CARTER ADMINISTRATION'S COMMITMENT TO BE AS HELPFUL AS WE COULD. PRESIDENT TURBAY SAID HE WAS HAPPY TO KNOW THAT A DISPOSITION OF GOOD WILL TO ASSIST EXISTED WITH REGARD TO THIS PROBLEM. HIS HOPE WAS THAT THE UNITED STATES WOULD MOVE BEFORE RATHER THAN AFTER ANY TRAGEDY.

4. NARCOTICS: SECRETARY BLUMENTHAL EXPRESSED PRESIDENT CARTER'S GRATITUDE WITH REGARD TO JOINT UNITED STATES-COLOMBIAN EFFORTS ON THE CONTROL OF NARCOTICS. THIS WAS A MATTER OF GREAT IMPORTANCE FOR US AND PRESIDENT CARTER HAD NOTED WITH GREAT

INTEREST PRESIDENT TURBAY'S STATEMENT THAT THIS WAS SOMETHING HE INTENDED TO PURSUE. PRESIDENT TURBAY RESPONDED THAT THIS WAS AN AREA IN WHICH THEY PROPOSED TO COOPERATE TO THE FULLEST EXTENT. HIS INAUGURATION SPEECH WOULD INCLUDE A COMMENT ON THIS SUBJECT AND HE INTENDED TO CONTINUE AND IN FACT INTENSIFY PRESIDENT LOPEZ' POLICIES IN THIS REGARD. HE STATED THAT HE WISHED TO COOPERATE WITH THE UNITED STATES AND THAT THIS COOPERATION WOULD BE IN THE MOST ENERGETIC FORM POSSIBLE. IT WAS HIS FEELING THAT DRASTIC, ENERGETIC MEASURES MUST BE APPLIED. A WEAK POLICY WAS A BAD POLICY. HE INTENDED TO STRIKE TERROR INTO THE HEARTS OF TRAFFICKERS. HE PROPOSED THAT AIRCRAFT FLYING INTO THE GUAJIRA PENINSULA ESPECIALLY AT NIGHT AND WITHOUT PERMISSION BE SHOT DOWN. HE WAS SURE THAT THIS WOULD BE AN EXCELLENT CORRECTIVE MEASURE AND ONCE THE POLICY WOULD
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BE ESTABLISHED FEW SUCH PLANES WOULD RETURN. THEY WOULD NEED TECHNICAL ASSISTANCE WITH REGARD TO RADAR, ANTI-AIRCRAFT BATTERIES, TRAINING, ETC. AMBASSADOR ASECIO SUGGESTED THAT SOME CAUTION WAS NECESSARY IN THIS REGARD SINCE IT WAS POSSIBLE THAT SOME INNOCENT AIRCRAFT MIGHT BE AFFECTED BY THIS DISPOSITION. AMBASSADOR VAKY SUGGESTED A JOINT STUDY TO DETERMINE THE BEST MANNER IN WHICH TO PROCEED. SECRETARY BLUMENTHAL THOUGHT THAT IF IT WAS MADE CLEAR THAT SPECIFIC AREAS WERE OFF LIMITS AND THAT STRANGE AIRCRAFT WOULD BE FIRED UPON THAT THEY WOULD BE WITHIN THEIR RIGHTS SO LONG AS IT WAS DONE WITH CAUTION AND DISCRETION. HE REITERATED AMBASSADOR VAKY'S SUGGESTION OF A STUDY.

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C O N F I D E N T I A L SECTION 2 OF 2 BOGOTA 7507

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TREASURY FOR SECRETARY BLUMENTHAL ONLY

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PRESIDENT TURBAY SAID THAT HE WAS INTERESTED IN THIS QUESTION FOR SEVERAL REASONS. THERE WAS THE QUESTION OF COLOMBIAN INTERNATIONAL PRESTIGE. THERE WAS THE MATTER OF THE EFFECT OF DRUGS ON YOUTH AND ITS REPUGNANT EFFECT ON DELINQUENCY. HE WAS ALSO GREATLY CONCERNED WITH REGARD TO THE SECURITY OF THE STATE. HE BELIEVED IT CONCEIVABLE THAT THE HUGE SUMS OF MONEY BEING GENERATED WOULD BE USED AGAINST DEMOCRATIC INSTITUTIONS. HE WAS ALSO CONCERNED THAT THESE SUMS MIGHT BE USED FOR THE PURCHASE OF ARMS. HE DIRECTED AMBASSADOR ASECIO TO GET IN TOUCH IMMEDIATELY WITH THE NEW MINISTER OF DEFENSE, GENERAL CAMACHO LEYVA, TO START WORKING UP A PLAN.

PRESIDENT TURBAY SAID THAT SPEAKING FRANKLY HE WAS CONCERNED ABOUT THE FACT THAT WHILE COLOMBIAN LAWS WOULD HAVE TO BE MODIFIED TO BE MORE EFFECTIVE IN NARCOTIC INTERDICTION HE BELIEVED THE SAME WERE TRUE FOR UNITED STATES LAWS. UNITED STATES LEGISLATION WAS RATHER BENIGN TO TRAFFICKERS. THESE WERE OFTEN RELEASED ON BAIL ONLY TO CONTINUE THEIR ACTIVITIES. HE BELIEVED IT WAS ESSENTIAL TO BE INFLEXIBLE IN THE APPLICATION OF SANCTIONS. HE ALSO BELIEVED JOINT COOPERATION WAS NECESSARY BECAUSE HE

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BELIEVED THAT THE FINANCING OF MARIJUANA AND COCAINE OPERATIONS IN COLOMBIA WAS DERIVED FROM INTERNATIONAL AND SPECIFICALLY AMERICAN SOURCES.

5. CAPITAL FLIGHT: PRESIDENT TURBAY SAID HE WAS CONCERNED ABOUT THE FLIGHT OF COLOMBIAN CAPITAL PARTICULARLY TO THE UNITED STATES. HE WONDERED IF AN AGREEMENT WAS POSSIBLE CONDUCIVE TO THE REPATRIATION OF SUCH CAPITAL POSSIBLY BY ESTABLISHING A UNITED STATES TAX ON COLOMBIAN DEPOSITS IN THE UNITED STATES. AMBASSADOR ASECIO STATED THAT WE WERE ALSO ATTEMPTING TO COOPERATE WITH COLOMBIAN AUTHORITIES WITH REGARD TO DEPOSITS PARTICULARLY IN THE FLORIDA AREA OF COLOMBIAN NARCOTICS TRAFFICKERS. PRESIDENT TURBAY SAID THAT THIS WAS FINE BUT HE HAD A BROADER PERSPECTIVE IN MIND. MUCH OF THE CAPITAL FLIGHT WAS THE DIRECT RESULT OF FEELINGS OF INSECURITY GENERATED BY KIDNAPPINGS AND OTHER ASPECTS OF THE SECURITY SITUATION. OBVIOUSLY, HE WOULD ALSO HAVE TO WORK TO RESTORE CONFIDENCE BUT HE PERCEIVED THIS AS A VERY REAL PROBLEM.

6. SECRETARY BLUMENTHAL STATED THAT THE NEGOTIATION OF A TAX TREATY BETWEEN THE TWO COUNTRIES WAS POSSIBLE WHICH WOULD COVER MANY AREAS OF MUTUAL TAXATION. THIS COULD BE PURSUED EITHER IN

BOGOTA OR IN WASHINGTON. NORMALLY, HOWEVER, WE WOULD NOT HAVE ANY RESTRICTIONS ON CAPITAL DEPOSITS EXCEPT IN VERY LIMITED CASES SUCH AS MONEY FROM ILLEGAL SOURCES OR FOR ILLEGAL PURPOSES. WE HAD NO CAPITAL CONTROLS. IT WOULD PROBABLY BE DIFFICULT FOR US TO IDENTIFY DEPOSITS FROM COLOMBIAN CITIZENS IN EACH CASE. CERTAINLY THE IMPOSITION OF A TAX SIMPLY BECAUSE THE DEPOSITOR WAS A COLOMBIAN CITIZEN WOULD BE VERY DIFFICULT. HE ALSO POINTED OUT HOW EASY MONEY COULD BE "LAUNDERED" THROUGH THIRD COUNTRIES. PRESIDENT TURBAY THEN ASKED WHETHER A MULTILATERAL AGREEMENT WOULD BE POSSIBLE. SECRETARY BLUMENTHAL STATED THAT THE FREE MOVEMENT OF CAPITAL WAS HELD SACROSANCT IN MANY PLACES IN MUCH THE SAME MANNER AS THE FREE MOVEMENT OF GOODS. SWITZERLAND
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FOR INSTANCE WOULD BE EVEN MORE FIERCE IN THIS RESPECT THAN WE WERE.
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